STB UPDATE

AUGUST 21, 2017

Executive Summary

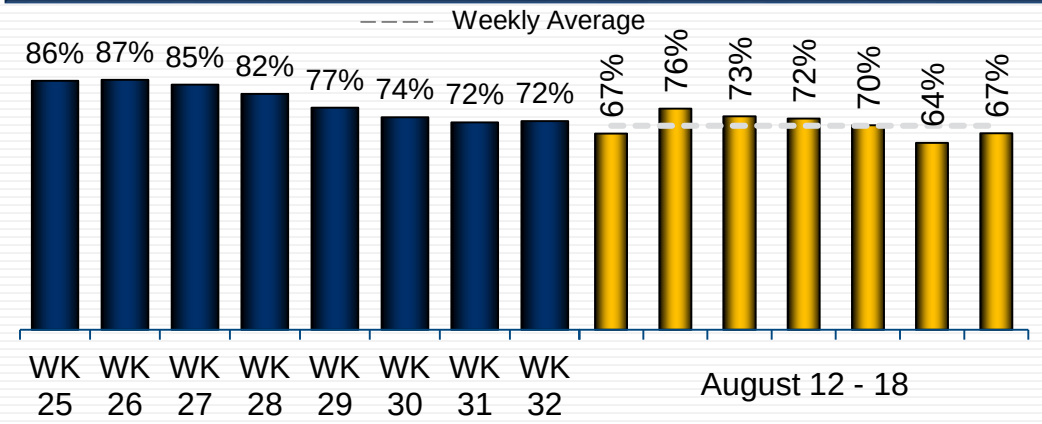
- Network metrics stable; plan adjustments implemented to enable near-term progression
  - Dwell and velocity continue modest gains; fluidity meaningfully improved over last two weeks
  - Focus on road train origination and arrival metrics not primary in precision scheduled railroading[1]
- Crew and power resource levels are well matched to demand
  - Additional engines brought in service to meet coal demand; coal velocity improved vs. 2016
- Five hump yards, down from 12, scaling up well with efficiency and performance progression
  - Avon hump re-introduced last week; smooth transition occurred
- Western Network improving, with terminals fluid, and customer service on site at key field locations
  - Train plan tweaked to mitigate secondary congestion; focus on empty car fulfillment processes
  - Number of customer problem logs remains elevated as performance coming back into balance
- Interchange volumes stable; active communication to maintain performance

CSX experienced congestion challenges at Western corridor terminals from mid-late July (weeks 29-31); network recovery underway and expected to progress this week

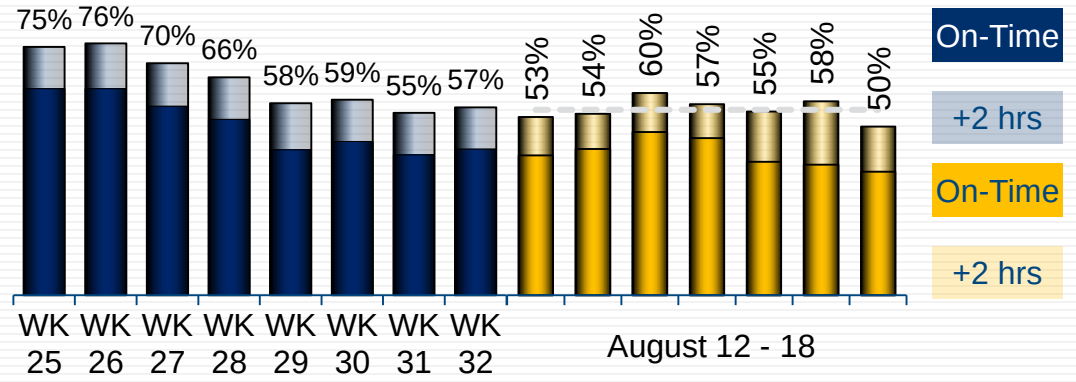
[1] E.g., holding a train's origination to allow additional cars to reach a customer on time (end destination) would hinder train origination and arrival metrics, but provide better service to the customer

Network measures improving modestly from height of challenges

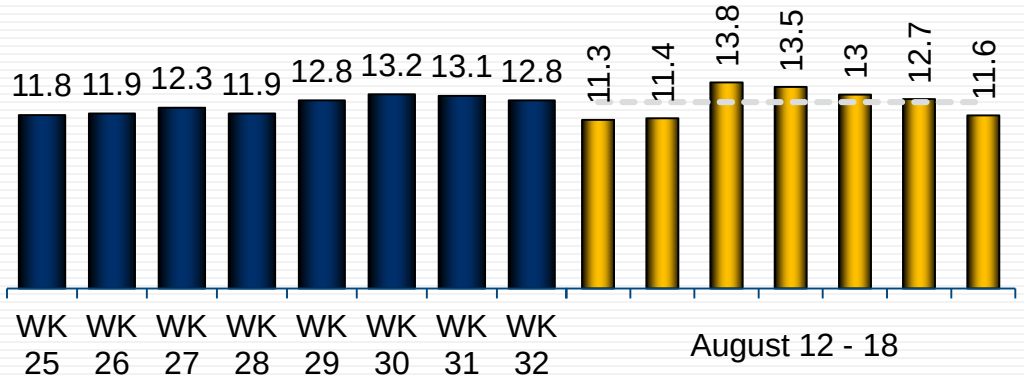
On Time Originations (%)



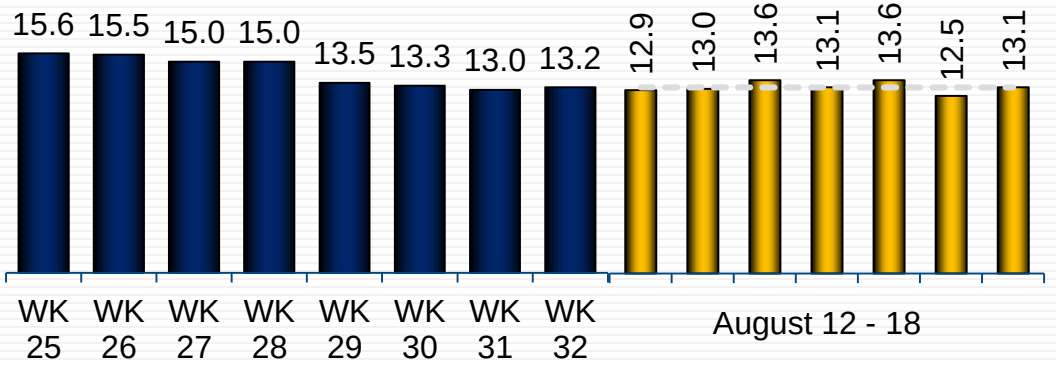
On Time Arrivals (%)



Dwell (hours)



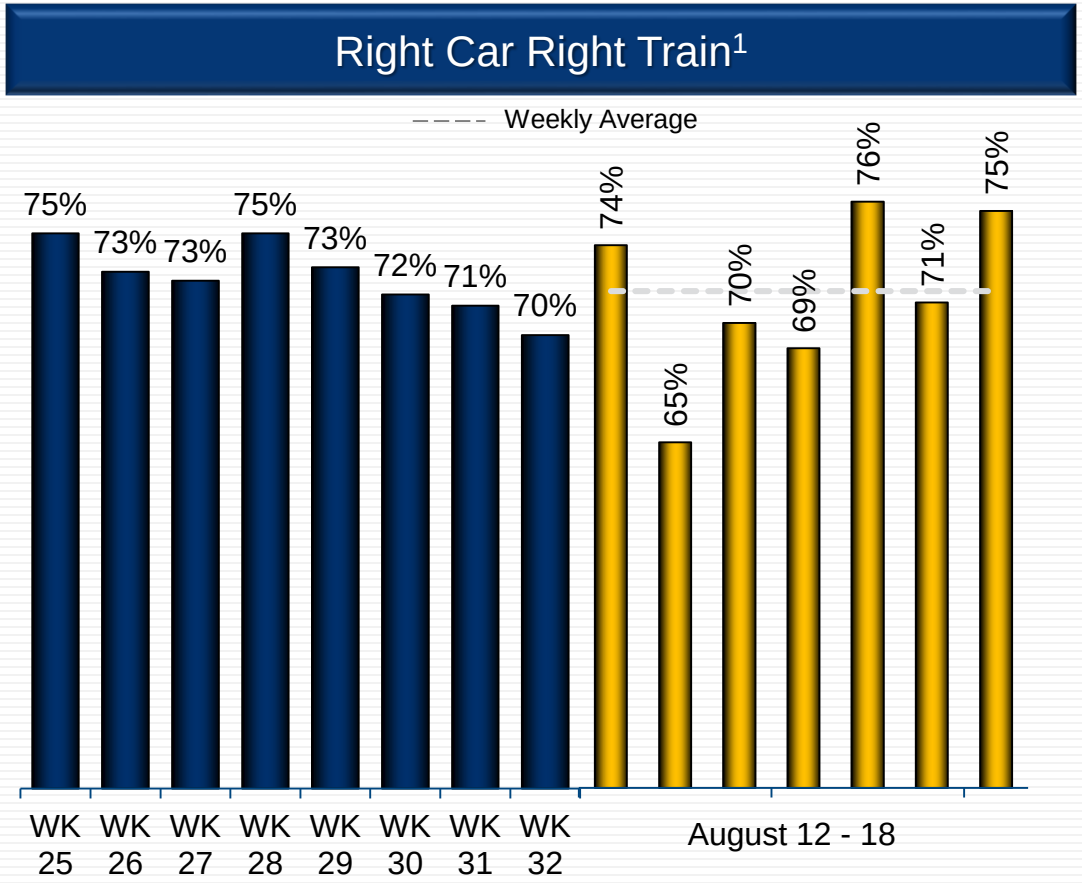
Velocity (mph)



- Two disruptive derailments occurred in weeks 31 and 32, detrimentally impacting network performance

Note: Dwell and velocity displayed according to revised CSX methodology; explanation of CSX methodology and comparable view in AAR methodology can be found in appendix.

Right Car Right Train holding relatively stable; less relevant in PSR

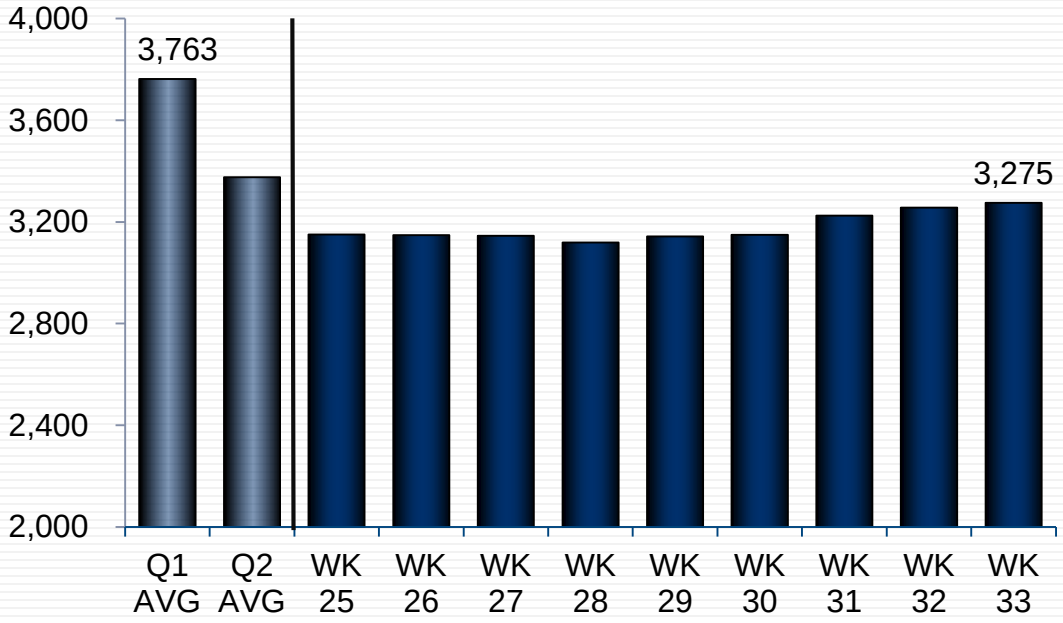


- Right Car Right Train is no longer a measure that CSX uses to manage its operation
  - In precision scheduled railroading (PSR), if a car can be advanced on another train to speed transit or ensure its on-time arrival, there is not one “right train”
- Car priority is to move cars quickly, on next available train
  - Asset utilization a key tenet of PSR
- Train priority is blocking integrity and departing all available, relevant cars from the yard
  - Blocking integrity certifies that a train is built correctly and shipments are headed to the correct location
  - Managed through field supervision

[1] ‘Right Car Right Train’ is defined as the percentage of cars that departed from a yard in accordance with their car scheduling trip plan

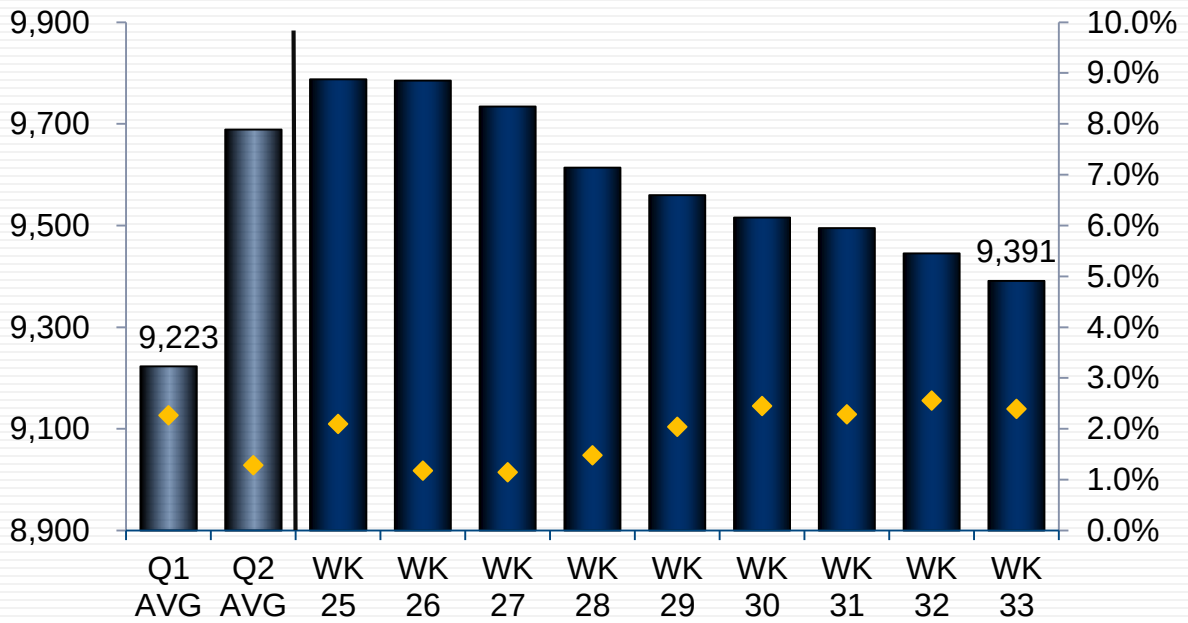
Resourcing appropriately to meet business needs

Active Locomotives



- Q3 locomotive level stable; recently added engines in response to incremental coal demand

Train & Engine Headcount and Re-crew Rate[1]



- T&E trend tracking normal seasonality; re-crew rates remain at historic lows, down (18%) vs. 2016

Power and crew availability steady in third quarter at 99% and 95%, respectively

[1] Re-crew rate is re-crew people starts as a percent of total measured people starts, and it represents incidences of replacing a crew on the same train ID (generally due to hours of service)

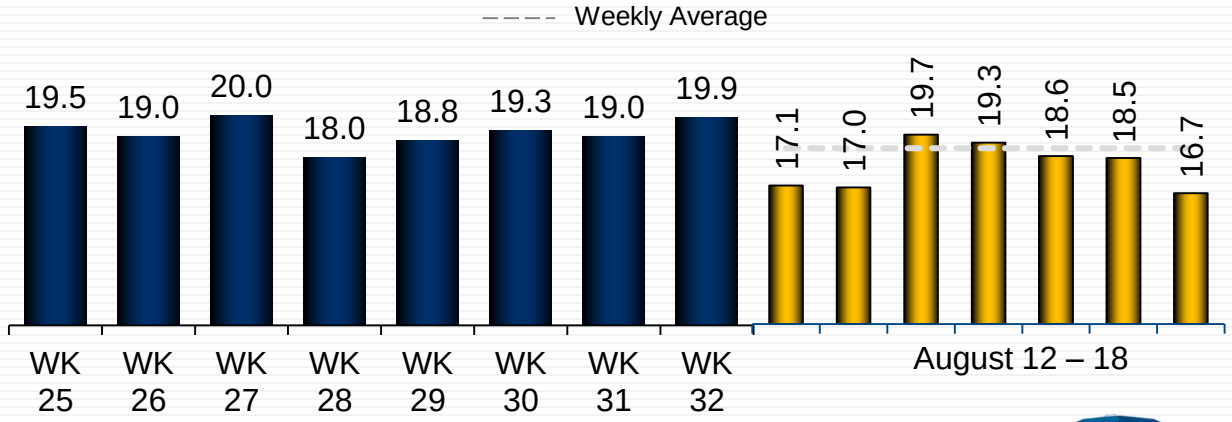
Hump yard performance steady through transitions; efficiency building

CSX Hump Terminal Overview

Absolute number of humps not "good" or "bad"; goal is best mix of hump and flat yards for processing efficiency

- Avon hump operations resumed last week, supporting service and prevention of secondary congestion
- Key hump productivity and efficiency measures performing well
  - Arrive-to-hump, a measure of fluidity and processing efficiency, has improved by 8% in the last week vs. prior
  - Cars per man hour at hump yards up 4% since the start of Q3, indicating yard productivity with higher volume at remaining humps
  - Dwell time stable and compressing slightly

Dwell at Hump Terminals[1, 2]



[1] Dwell displayed according to CSX methodology; explanation of CSX methodology and comparable view in AAR methodology can be found in appendix

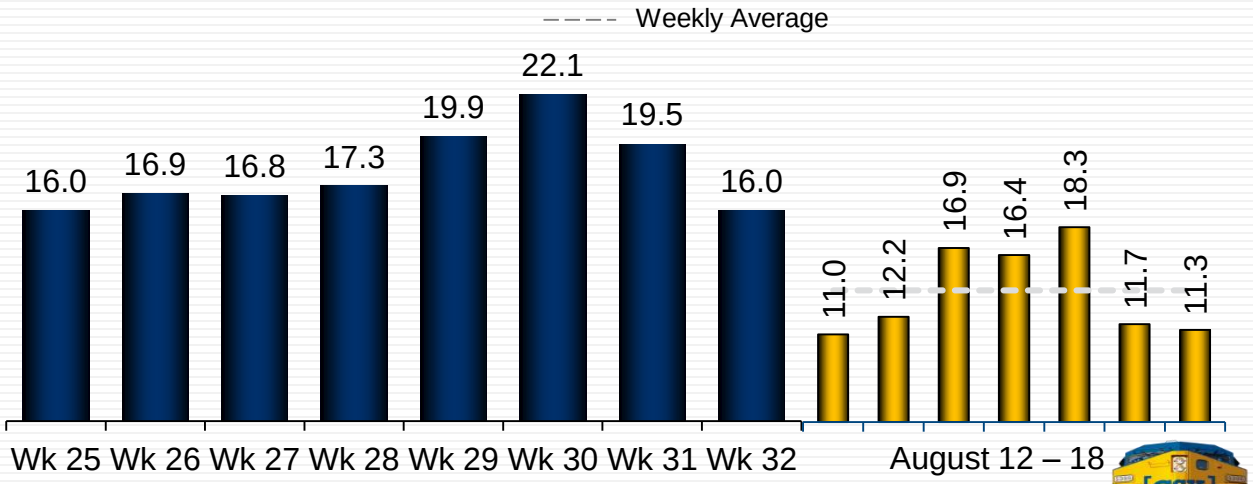
[2] Week 33 dwell data excludes Avon due to transition from flat to hump

Western performance improving; plan changes alleviating congestion

Western Corridor Key Terminals

- Key terminal productivity and performance measures significantly improved in former “trouble” spots
  - On-time originations improved more than 100% since period of greatest concern, to above system levels in week 33
  - Dwell down significantly, and much more in line with expectations
  - Greater yard productivity evident in cars per man-hour processed
- Train plan tweaked to prevent secondary congestion
  - Leveraging Avon as near-term offset of increased volume flow through Russell, Columbus and Louisville; fluidity improving daily

Dwell at Western Terminals[1, 2]

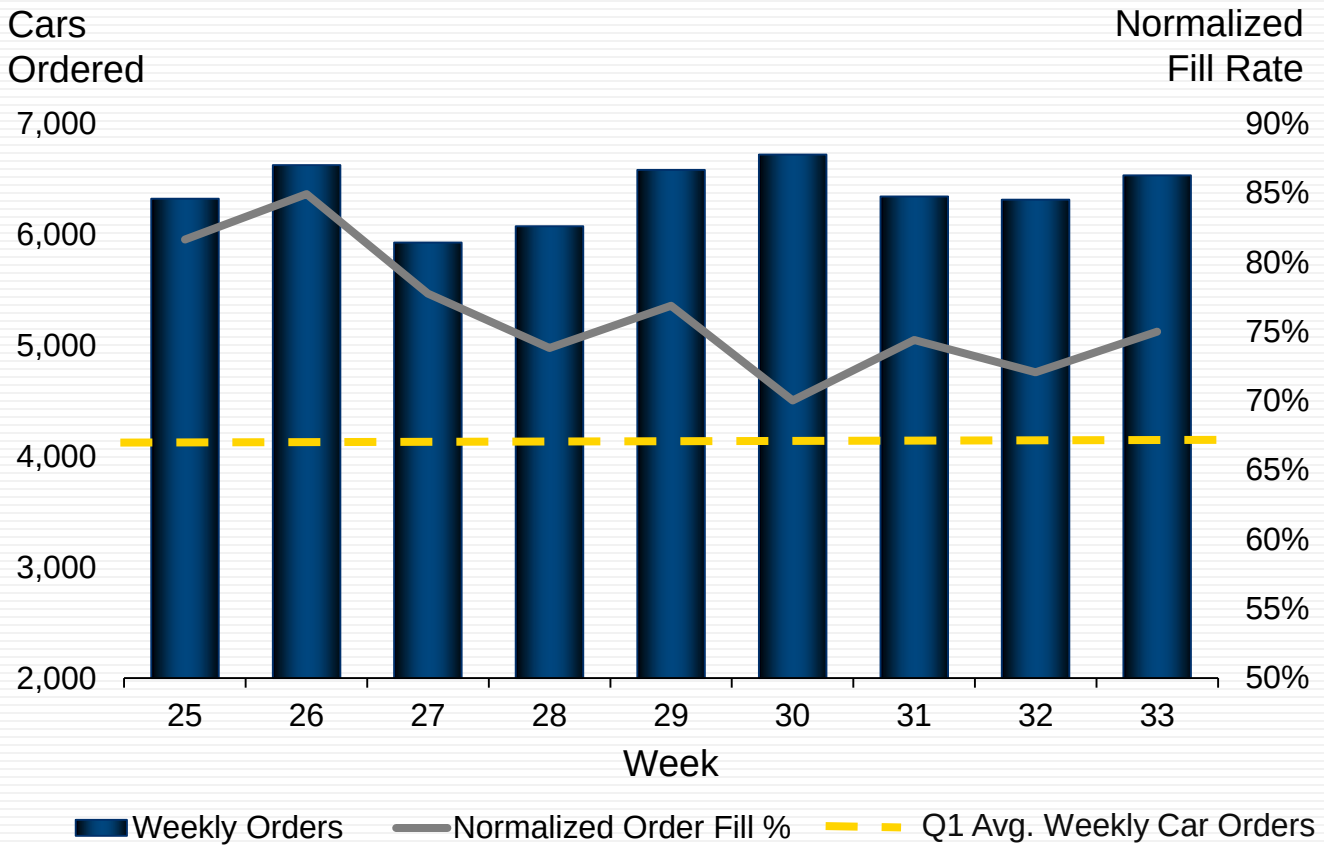


[1] Dwell displayed according to CSX methodology; explanation of CSX methodology and comparable view in AAR methodology can be found in appendix

[2] Week 33 dwell data excludes Avon due to transition from flat to hump

Car order fill to improve with reduced dwell

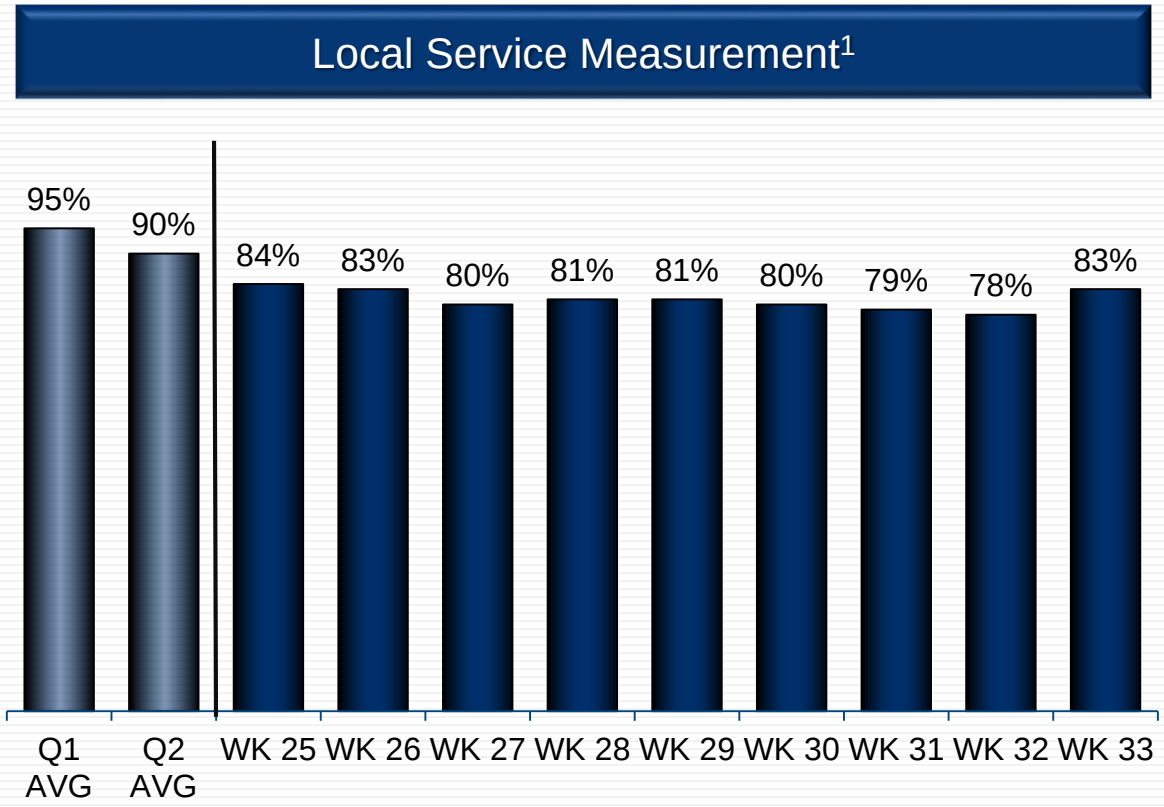
Weekly Car Orders and Normalized Fill Rate



- Customer car orders up ~40% in Q3 vs. Q1 2017
  - Merchandise carload expectations down slightly in comparable timeframe
  - Order levels have disconnected with demand
- Absolute orders filled are down with network challenges
  - Network improvement to drive additional orders filled as empty dwell, and overall dwell, are reduced
  - Car storage paused to address; CSX fleet sized to capture demand in a recovering environment
- Normalized fill rate[1] ranging 70-85%
  - Process evaluation underway to realign order level with demand and improve fulfillment accountability

[1] Normalized fill rate is a proxy of demand fulfillment against historical/expected order levels, as current order levels have disconnected with demand

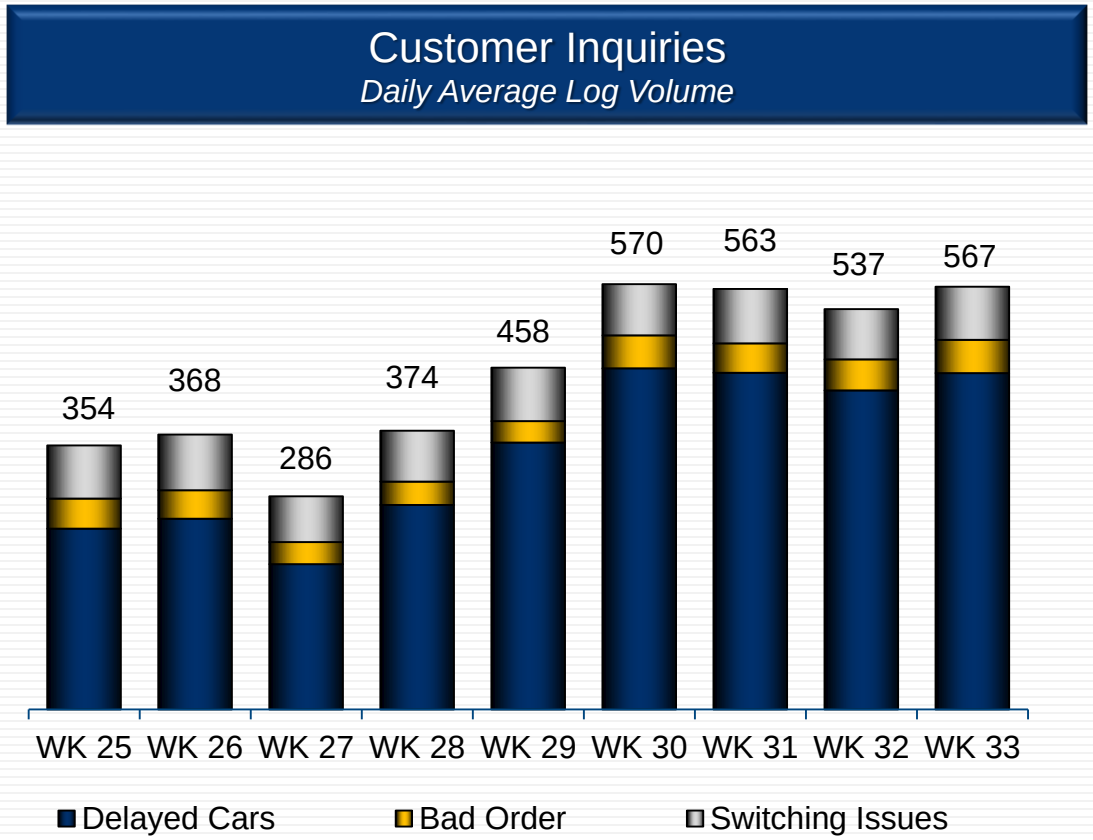
Last mile performance stable



- Local Service Measurement (LSM) is no longer a metric that CSX uses to manage its operation
  - In precision scheduled railroading (PSR), focus on end-to-end transit and customer expectations
  - Last mile performance must be in combination with, not independent of, overall performance
- Accordingly, LSM as a reported metric was discontinued upon start of PSR implementation
  - At request of STB, last mile tracking reinstated to monitor through implementation period
  - Data reflects passive information flow, lacking prior focus on field reporting to ensure LSM capture
- Reliable pull and place expected as part of service to customers

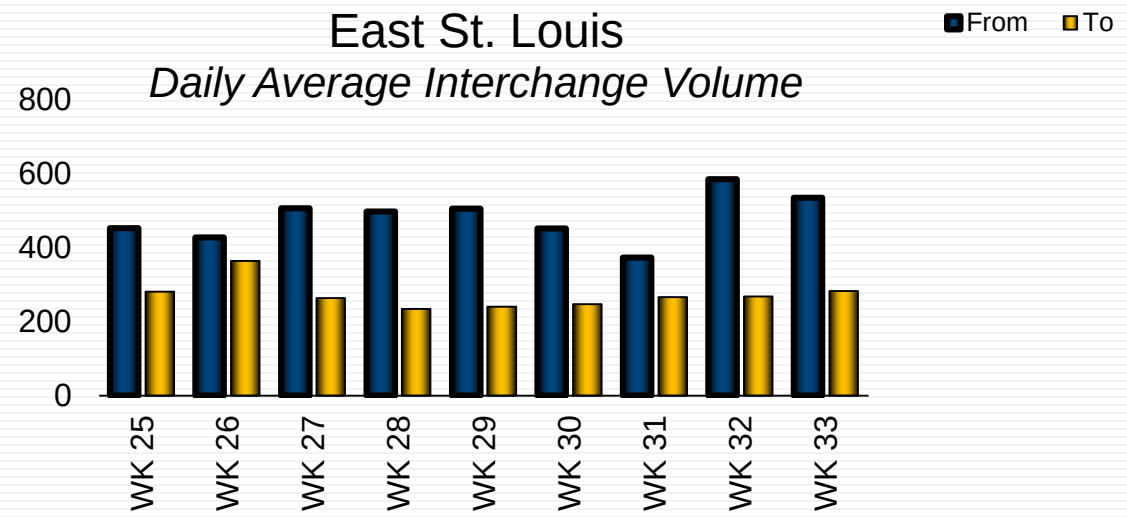
[1] 'Local Service Measurement' is defined as the percentage of cars that were pulled or placed at a customer location based upon daily customer request, the local service plan and available inventory at the local serving yard

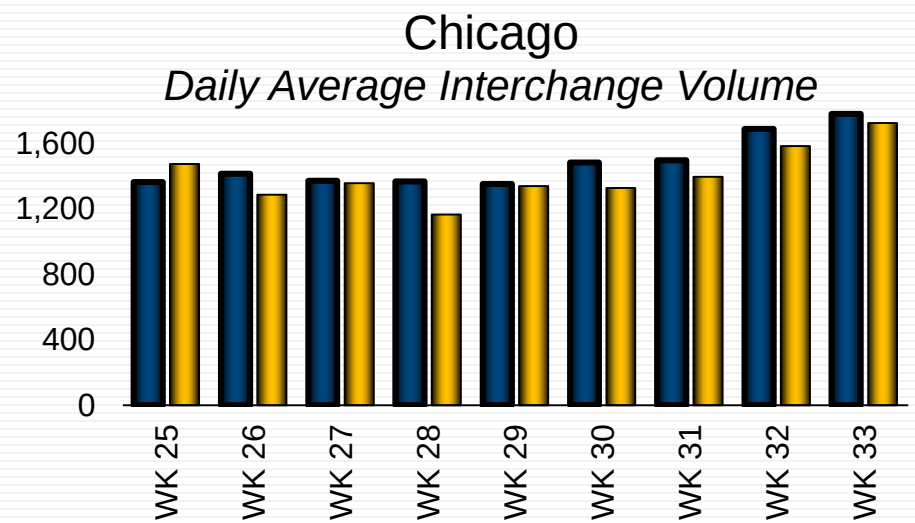
Customer inquiries, problem logs elevated; action plans being executed

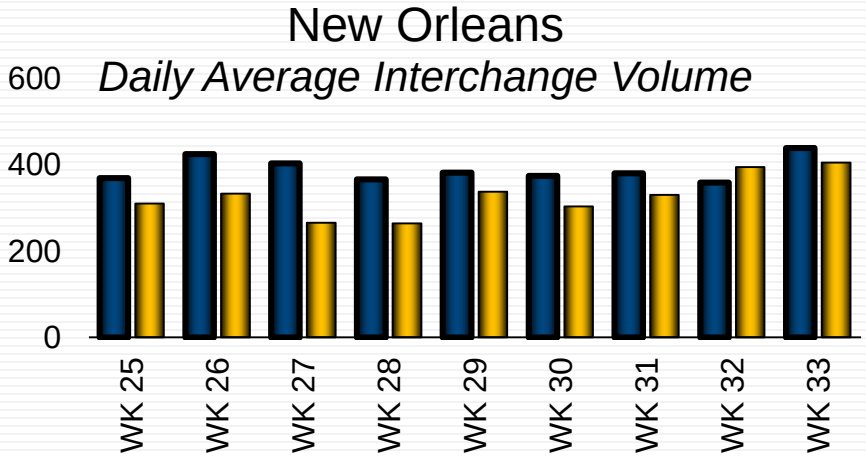


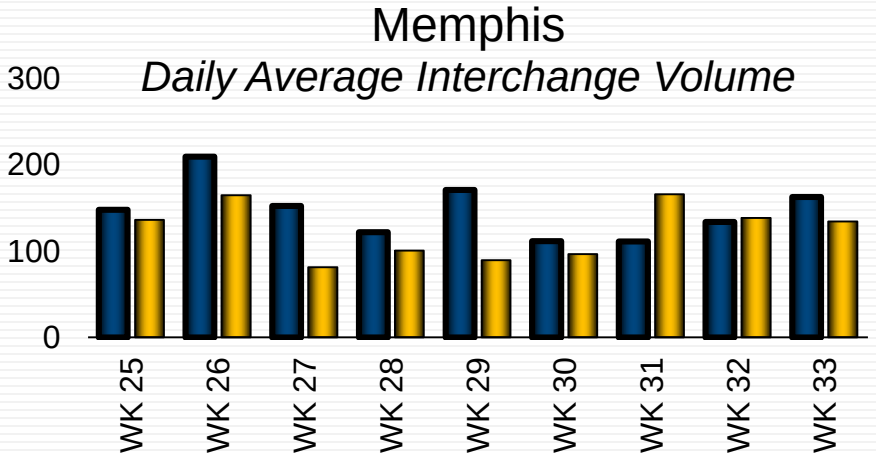
- Delayed cars have been most frequent concern
  - Trend in problem logs mirrors timeframe of network challenges
  - Overall dwell falling and enhanced focus on long-dwell cars to ensure all cars benefit from fluidity gains
- Customer service and commercial presence at key field location has aided communication and problem resolution
  - New location assignments this week include: Columbus, Russell, Avon, Memphis
- Nearly 90% of problem logs have been addressed and closed to-date
  - Managing pipeline of customer concerns to full resolution

Interchange volume up slightly at gateway locations

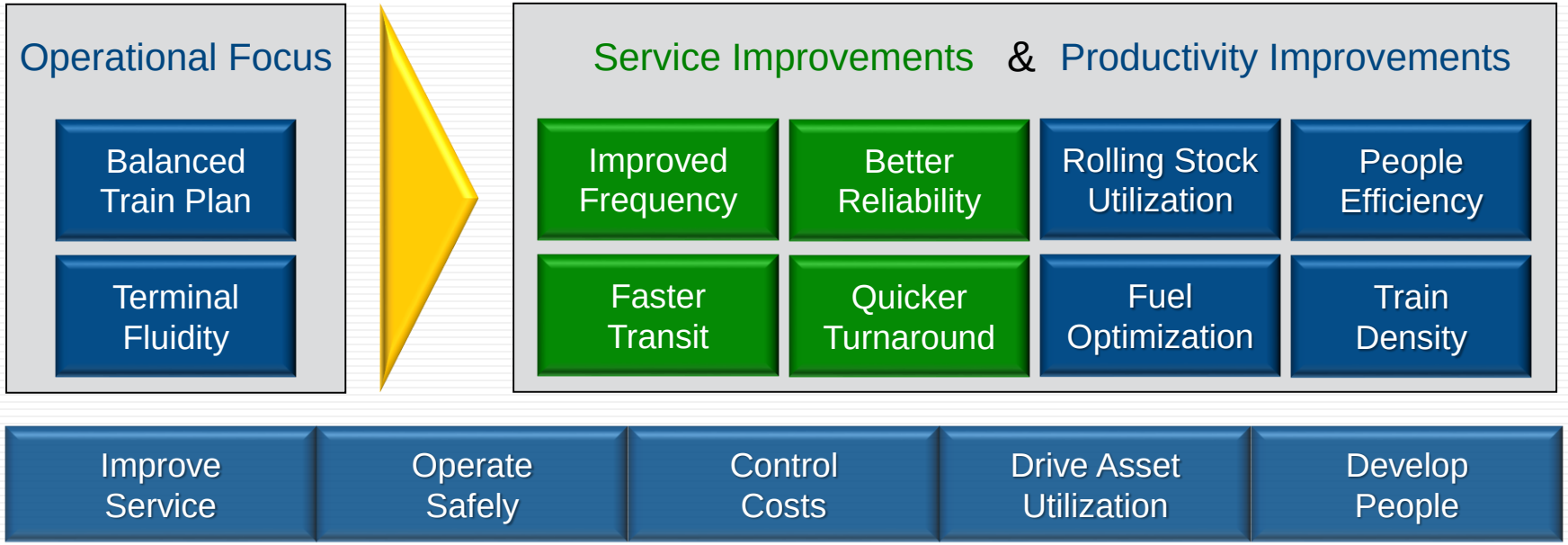








Precision scheduled railroading to produce service improvement



- Realigned service frequency in second quarter
- Set the groundwork of a balanced train plan in early July
- Currently balancing between terminals' improving efficiency and modest adjustments in traffic flows to recover near-term service
- Improved execution on this foundation to drive long-term service and productivity improvements

APPENDIX

HOW TOMORROW MOVES

CSX has changed methodology on some metrics reported publicly

Velocity	
Former	Line of road miles per hour
Future	Total miles traveled per hour, including intermediate dwell of the train
Change Reason	Includes full trip of a train and ability to diagnose overall speed profile (in support of improvement in asset cycle)
Effect on Metric	Reported velocity will be lower

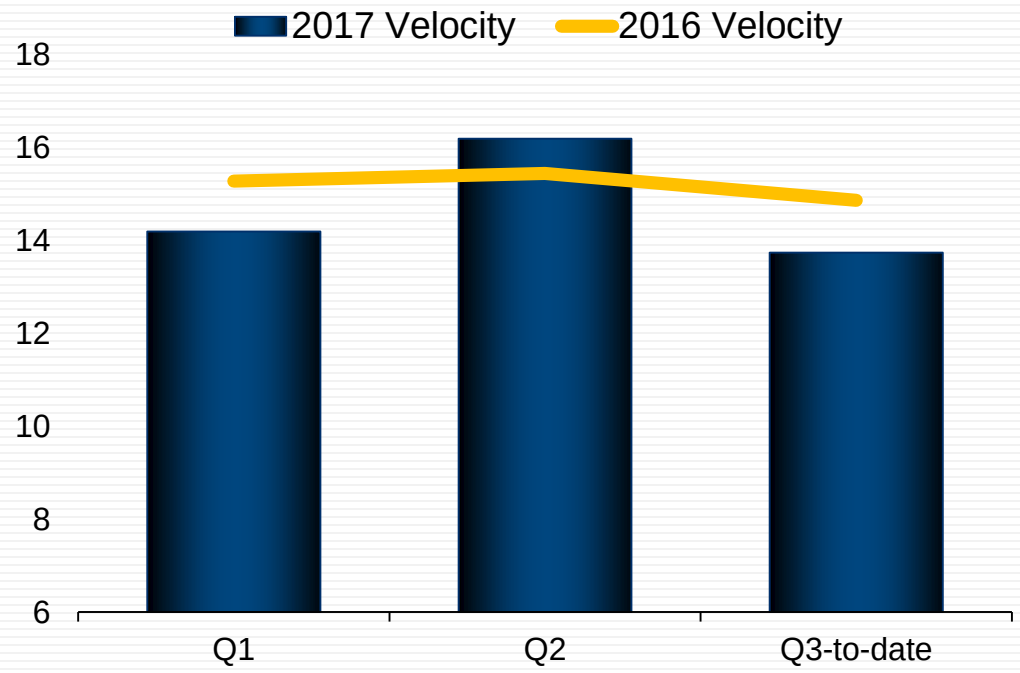
Dwell	
Former	Car time at terminal, excluding cars on the same train ID
Future	All car time with a terminal work event, including through cars on same train ID (e.g. crew change)
Change Reason	Includes all dwell with ability to diagnose all events impacting car movement (in support of improvement in asset cycle)
Effect on Metric	Reported dwell will be lower

Cars Online	
Former	All cars on CSX, as determined by RailInc
Future	RailInc cars on CSX, excluding cars stored, under repair, sold, and private cars ex online inventory
Change Reason	More accurate measurement of active cars on line, i.e. cars for which CSX is focused on real-time, efficient movement
Effect on Metric	Reported cars online will be lower

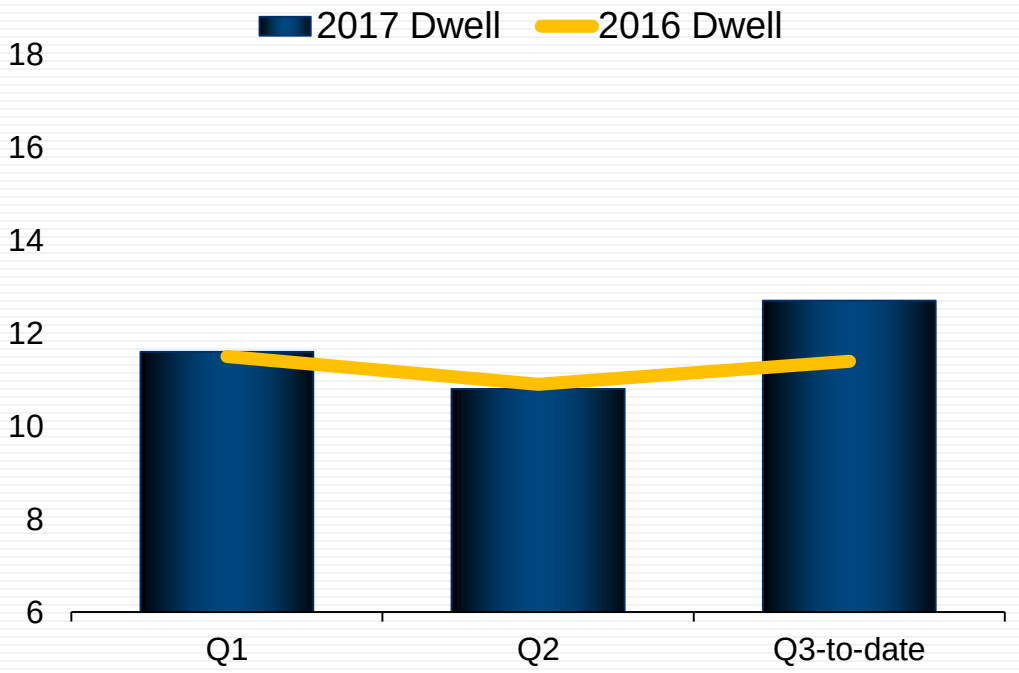
Restated historical data in new methodology to be available on csx.com

While absolute value of metrics has changed, trend remains consistent

Average Velocity (mph)



Average Dwell (hours)

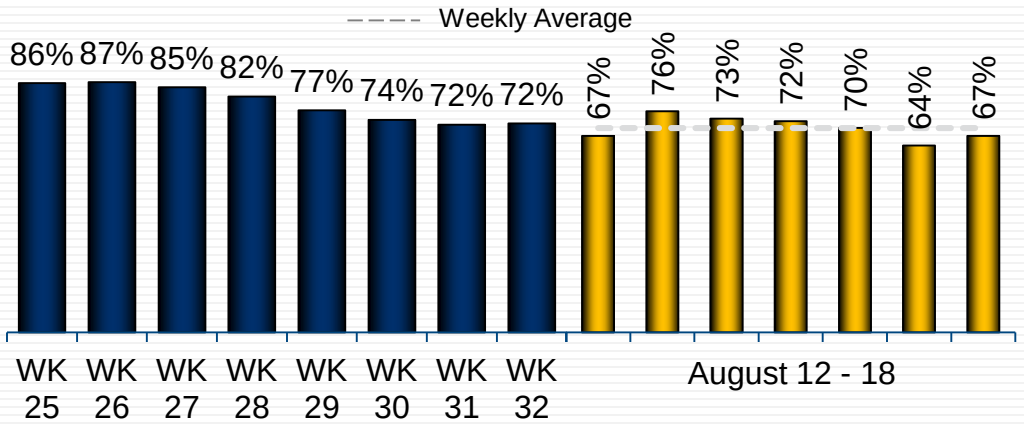


Restated historical data in new methodology to be available on csx.com

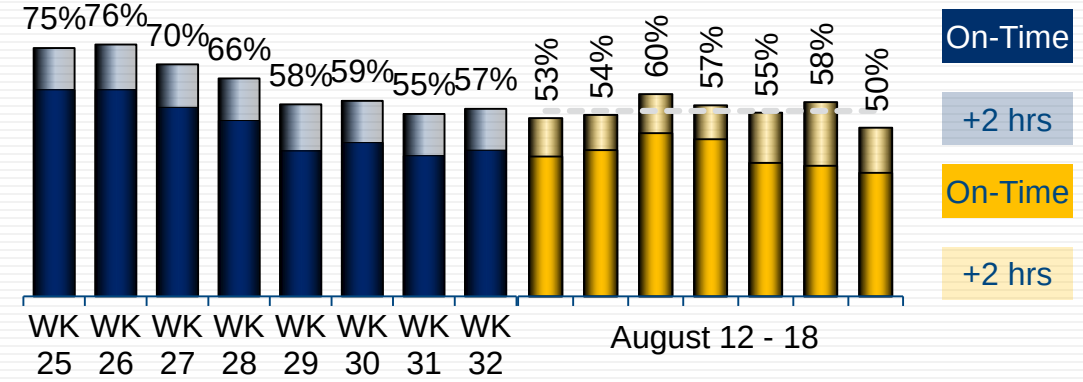
The following pages include applicable presentation material using prior methodology for comparability during metrics methodology cutover

Network measures improving modestly from height of challenges

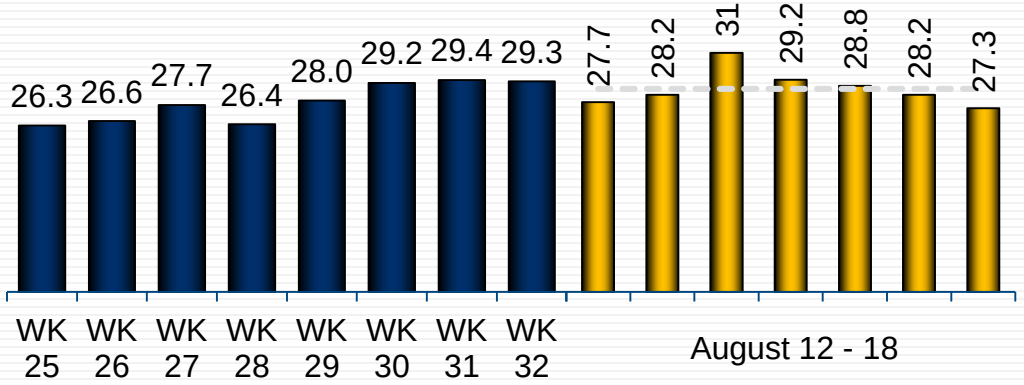
On Time Originations (%)



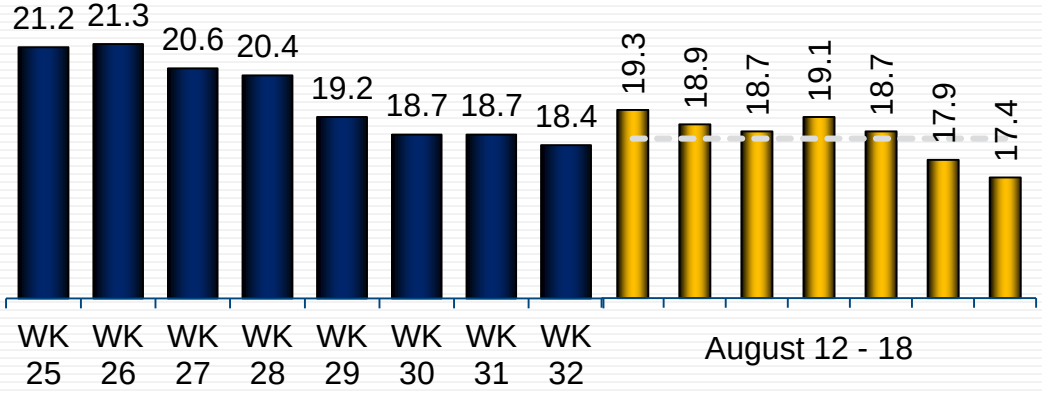
On Time Arrivals (%)



Dwell (hours)



Velocity (mph)



- Two disruptive derailments occurred in weeks 31 and 32, detrimentally impacting network performance

Note: Dwell and velocity displayed according to AAR methodology

Hump yard performance steady through transitions; efficiency building

CSX Hump Terminals

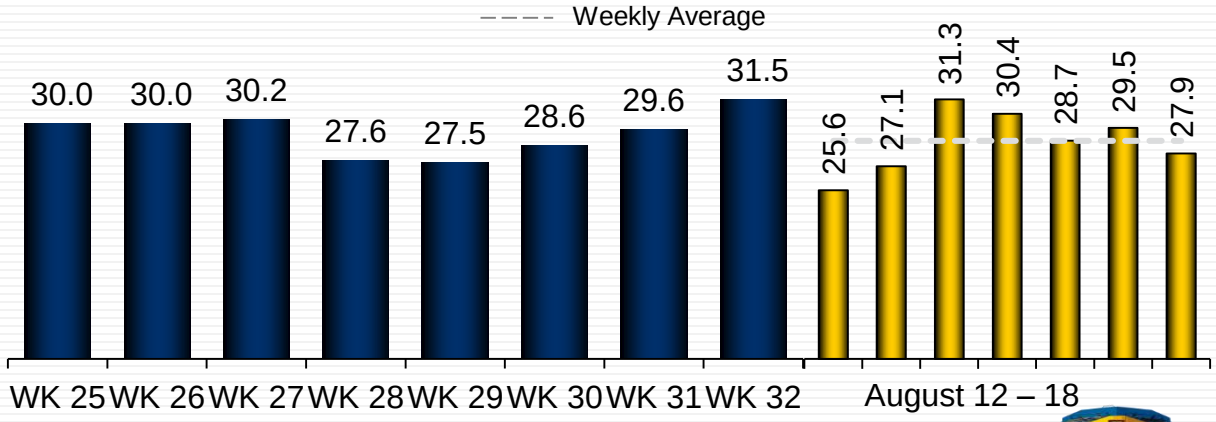
Transitioned to flat-switching operations

Hump terminals

Absolute number of humps not "good" or "bad"; rather, a different configuration of handling traffic

- Avon hump operations resumed last week, supporting service and prevention of secondary congestion
- Key hump productivity and efficiency measures performing well
  - Arrive-to-hump, a measure of fluidity and processing efficiency, has improved by 8% in the last week vs. prior
  - Cars per man hour at hump yards up 4% since the start of Q3, indicating yard productivity with higher volume at remaining humps
  - Dwell time stable and compressing slightly

Dwell[1,2]

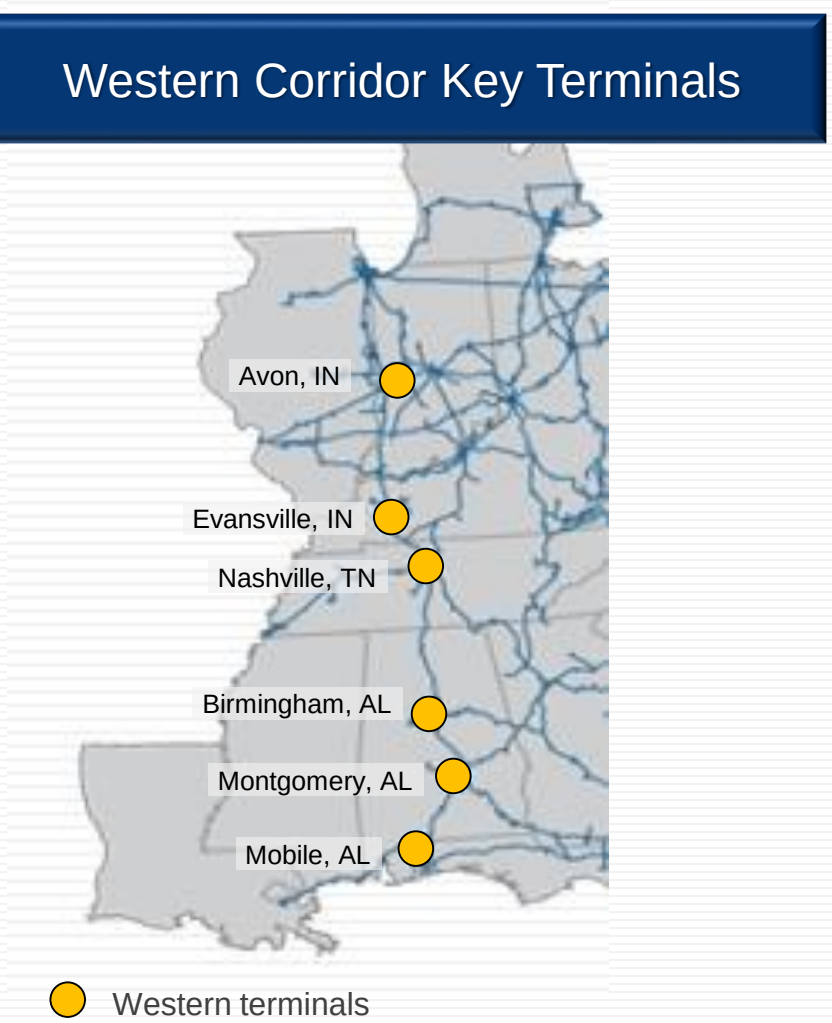


[1] Dwell displayed according to AAR methodology

[2] Week 33 dwell data excludes Avon due to transition from flat to hump

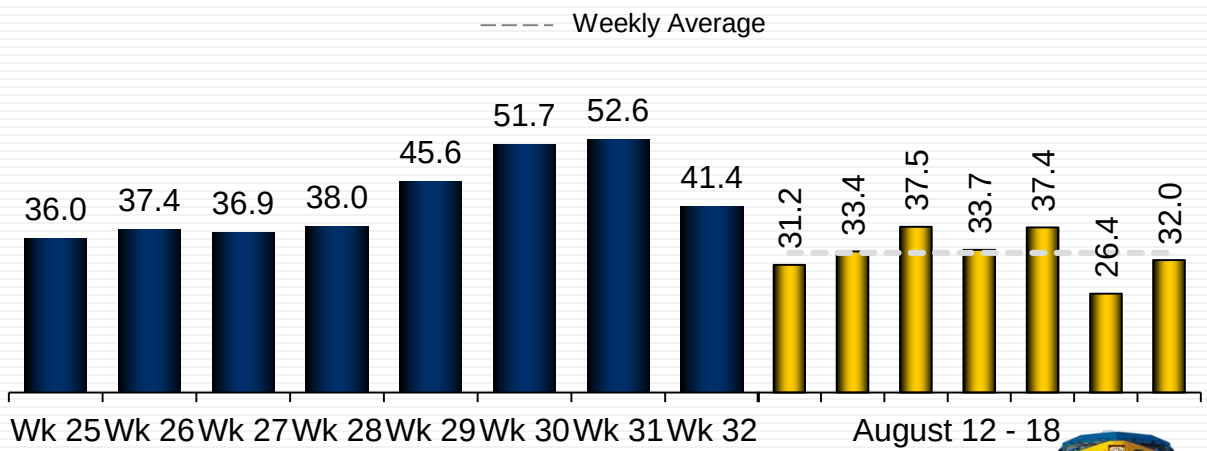
Western performance improving; plan changes alleviating congestion

Western Corridor Key Terminals



- **Key terminal productivity and performance measures significantly improved in former "trouble" spots**
  - On-time originations improved more than 100% since period of greatest concern, to above system levels in week 33
  - Dwell down significantly, and much more in line with expectations
  - Greater yard productivity evident in cars per man-hour processed
- **Train plan tweaked to prevent secondary congestion**
  - Leveraging Avon as near-term offset of increased volume flow through Russell, Columbus and Louisville; fluidity improving daily

Dwell[1,2]



[1] Dwell displayed according to AAR methodology
[2] Week 33 dwell data excludes Avon due to transition from flat to hump